

## **FISCAL NOTE**

### **HB 979 - SB 1093**

March 5, 2007

**SUMMARY OF BILL:** Imposes a 12-year term limit in one house for members of the General Assembly. Counting of the twelve years begins with the 2008 general election. Members are ineligible to serve again in the same house for a 24-month period after such term limit expires.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$ 19,500 Annual Amortized Cost  
(State Retirement System)**

**Other Fiscal Impact – State expenditures for the group health plan will increase \$239,000 in FY2020-21 (half-year), \$516,300 in FY2021-22 (first full year), and will increase by eight percent in each succeeding year.**

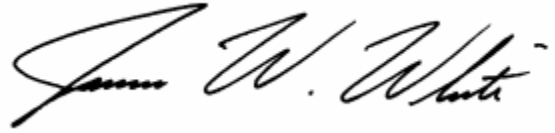
#### Assumptions:

- Members of the General Assembly will not be affected by term limits until the November, 2020 election.
- Additional cost to the state retirement system from retirement of members who leave the General Assembly earlier than under current law. The retiring members will begin to draw pension benefits and they will be replaced by new members who must also be included in the cost of the system.
- The cost to the state retirement system is amortized over 20 years, Tenn. Code Ann. § 3-9-103(b), and funds must be appropriated annually over the 20-year period. According to the actuary employed by the State Treasurer, the lump sum cost of this change is \$205,000, with an annual amortized cost of \$19,500.
- The state group insurance plan will incur additional costs beginning in calendar year 2021, due to the addition of new members of the General Assembly to the group plan in addition to the members who retire and remain in the plan. The current cost of family coverage is approximately \$1,000 per month and individual coverage is approximately \$400 per month. The cost of the plan will increase eight percent per year.

- Currently serving members of the General Assembly and other currently serving state employees pay 20 percent of the cost of the group plan that is not funded by premium contributions from retirees. An additional 20 percent of the total cost is paid by retirees, who pay 20, 30, or 40 percent of their premium cost, depending on their years of service (20 percent for 30 or more years; 30 percent for 20 or more years but less than thirty; 40 percent for less than 20 years). The remaining cost of the plan, 80, 70, or 60 percent respectively, is funded by state appropriations and current plan members, with state appropriations paying 80 percent of the balance and current members paying 20 percent. State appropriations will pay 64 percent of the cost of retirees paying 20 percent of their premiums (80% x 80%); 56 percent of the cost of retirees paying 30 percent of their premiums (80% x 70%); and 48 percent of the cost of retirees paying 40 percent of their premiums (80% x 60%).
- Currently, nine members of the Senate and 25 members of the House of Representatives have continuous service in their respective houses of more than 12 years. Although the membership will be different, this ratio will still apply in January, 2021.
- Of these 34 members, 20 percent will have service in excess of 30 years; 30 percent will have service in excess of 20 but less than 30 years; and 50 percent will have service of less than 20 years. Sixty percent of members will elect family coverage and 40 percent will elect individual coverage (the same percentage division as for plan members as a whole).
- The group insurance plan is funded on a "pay as you go" basis and the cost is not amortized.
- Appropriations for this additional cost will not be required until FY2020-21.
- In 2007 dollars, the additional cost in state appropriations in FY2020-21 for the half fiscal year beginning January 1, 2021, would be \$81,386.04. The cost in 2007 dollars for the full fiscal year of FY2021-22 would be \$175,793.85. This cost is based upon 2.72 members with 30 or more years of service choosing individual coverage at \$4,800 per year; 4.08 members with 30 or more years choosing family coverage at \$12,000 per year; 4.08 members with more than 20 but less than 30 years of service choosing individual coverage; 6.12 members with more than 20 but less than 30 years choosing family coverage; 6.8 members with less than 20 years choosing individual coverage and 10.2 members with less than 20 years choosing family coverage.
- Applying an eight percent rate of inflation to the 2007 cost (the rate that has applied in the group plan for the past several years, according to the Department of Finance and Administration), the cost to the state in FY2020-21 would be \$239,047 (one-half year) and in FY2021-22 would be \$516,341 (first full year).

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director